City and County of San Francisco
Employees' Retirement System

DEFERRED COMPENSATION COMMITTEE MINUTES

July 25, 2018

1145 Market Street, 6th Floor
San Francisco, CA 94103

1:00 PM

MISSION STATEMENT

Our mandate is simple: Deliver an exceptional voluntary retirement program, with empowering education and advanced tools that enable participants to achieve their financial retirement goals.

DEFERRED COMPENSATION COMMITTEE MEMBERS

Commissioner Leona Bridges, *Chair*

Commissioner Joseph Driscoll

Commissioner Brian Stansbury

Jay Huish
Executive Director

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OPENING CALENDAR

1. Pledge of Allegiance

2. Roll Call

Commissioner Bridges	**1:20 PM**
Commissioner Driscoll	**1:20 PM**
Commissioner Stansbury	**1:45 PM**

3. 07252018-03 **General Public Comment**

PUBLIC COMMENT PROCEDURES: During general public comment, members of the public shall have an opportunity to directly address the Committee on items of interest to the public that are within the subject matter jurisdiction of the Committee. In addition, members of the public will have an opportunity to speak on each item on the agenda when public comment is called for that item. Members of the public wishing to comment on a matter not on the agenda today may address the Committee now. Public comment is limited to 3 minutes per speaker, unless the Chair specifies a different time. Members of the public who wish to provide public comment are encouraged to complete a speaker card for each agenda item for which they intend to address the Committee and return the card(s) to the Commission Secretary prior to the consideration of that agenda item.

Chair Bridges called for public comment.

Mike Hebel, San Francisco Police Officer's Association, asked that the Board look carefully at criteria he feels is important to the decision of hiring a Third Party Administrator for the Deferred Compensation Plan. Mr. Hebel pointed out it is a very special year due to the celebration of the 40th year of the Deferred Compensation Program. He stated that he is satisfied and has been treated very well by the current SFDCP Third Party Administrator. The Plan has grown. He is concerned about staffing in the field at the level of execution. Mr. Hebel stressed the importance of a secure organization.

Steve Ebert, Nationwide - West Region, thanked the Board for consideration of their proposal but is disappointed they were unable to represent and would like an opportunity to delay proceedings so Nationwide can be given an opportunity to represent. Mr. Ebert left a copy of study from J.D. Power and stated that the analysis and summary before the Board is outdated and inaccurate and asked to pause the process to look at Nationwide more thoroughly by Committee.

There were no additional comments and General Public Comment was closed.

4. 07252018-04 Action Item **Approval of the Minutes of the March 19, 2018 Deferred Compensation Committee Meeting**

Documents provided to the Committee prior to the current meeting: Draft Minutes of the March 19, 2018 Deferred Compensation Committee Meeting

Action: Moved by Commissioner Driscoll, Seconded by Commissioner Bridges to Approve Minutes of the March 19, 2018 Deferred Compensation Committee Meeting.

Ayes: Commissioners Driscoll and Bridges
Absent: Commissioner Stansbury

5. 07252018-05 Action Item **Approve proposed semi-finalists for SFDCP TPA RFP and Authorize Staff to conduct off site due diligence of semi-finalists**

Documents provided to the Committee prior to the current meeting: Staff memorandum, Callan, SFDCP Recordkeeper Search Presentation and Semi-Finalists Presentations

Diane Chui Justen, Deferred Compensation Manager; Ben Taylor, Jana Steele and Greg Ungerman from Callan Associates, presented an oral and written report on this item.

The San Francisco Deferred Compensation Plan (SFDCP) entered into a five (5) year contractual agreement on December 20, 2013 with Prudential Retirement to provide plan recordkeeping, participant services and communications. The contract is set to expire on January 31, 2019.

Upon Retirement Board approval on April 13, 2018, Staff and Callan LLC (Consultant) prepared a Request for Proposals (RFP) for Third Party Administration (TPA) that was issued on April 20, 2018. The SFDCP received a total of four (4) responses on May 16, 2018 from:

• Empower
• Nationwide
• Prudential (incumbent)
• Voya

Proposals were then evaluated by Staff and Consultant based on the following criteria categories and weightings, with the remaining 30% allocated to the semi-finals presentation:

- Organization: 10%
- Administration and Technology: 25%
- Communications and Service Plan: 10%
- Fees: 25%

Using a robust scoring model, Staff and Consultant have identified Empower, Prudential and Voya as the semi-finalists to interview with the Deferred Compensation Committee (DCC) at today's Committee meeting.

Staff and Consultant reported that Nationwide was not identified as a semi-finalist because its scores lagged behind the others, primarily due to the following:

• Overall fees for their proprietary managed accounts are higher than any others. Using an estimated 10% adoption in managed accounts, there would be a large overall difference in total fees collected by the firm,
• Their proposed proprietary custodian and trustee has less experience with "white label" funds and institutional scale, serving only a small pool of DC plan sponsors, and
• Outsourcing custody services would increase overall administration costs borne by the participants.

Staff requested that each of the semi-finalist's presentations to the Committee cover the following topics:

- Brief overview of staffing model
- Overview of conversion process and proposed timing (if applicable)
- Distinctive capabilities (strengths and weaknesses)

- Ideas to improve key metrics such as participation, deferral rates, and diversification, along with appropriate goals
- Web demonstration of a participant's DB/DC integration experience (provided as a video link for later reference due to time constraints)
- Upcoming initiatives and technology enhancements with strategic rationales Cyber security

Staff also requested that at a minimum, the semi-finalist presentations be attended by the following representatives from each firm:

- Person(s) who will have "hands-on management" and service responsibility for the SFDCP,
- Person(s) who can make service commitments for the firm,
- Key Decision Maker, and
- Representatives who can address questions related to enrollment, education, implementation, technology and managed accounts

Ben Taylor from Callan provided an overview of the semi-finalist proposals along with strengths and weaknesses of each semi-finalist proposal.

Commissioner Driscoll confirmed with Callan that they have previously worked with these vendors, were familiar with how they performed in the past, and have recommended all four bidders to clients.

Commissioner Driscoll stated that he would prefer that the bidders not remain in the room while other bidders are making their presentations.

Diane Chui Justen invited Empower to begin their presentation.

Empower representatives conducting presentation were Dan Morrison, Sr. Vice President-Government Markets; Stephanie O'Dear, Vice President – Client Services; Lisa Marques, Retirement Plan Advisor; Eric Leavitt, Regional Sales Director; and Bruce Dale, Client Relationship Director.

Prudential representatives conducting presentation were Harry Dalessio, Senior Vice President – Head of Full Service Solutions; Michael Knowling, Senior Vice President – Head of Client Relations and Business Development; Lenora Jenkins, Manager – Retirement Counseling; Matthew Bahl, Vice President – Financial Wellness Customer Strategies; Brian McCleave, Vice President – Government Markets.

Committee meeting recess: 4:10 pm – 4:20 pm

Voya representatives conducting presentation were Scott Hudson, Technology Specialist; John Morrissey, Implementation Director; Peter Winterbottom, Advisory Services; Heather Lavallee, President – Tax Exempt Markets; Lea Feleciano, Vice President – Retirement Operations; Brian Merrick, Strategic Relationship Manager; and Bishop Bastien, Vice President – Institutional Clients.

Upon conclusion of the semi-finalist presentations, staff discussed their impressions of the RFP responses and relative performance.

Based on the size and complexity of the SFDCP, and as noted in the RFP schedule, Staff and Consultant recommended site visits with the semi-finalists. This will allow Staff an opportunity to:

- Take a Closer look at competitor differences not seen on paper,
- Engage with the proposed SFDCP team on a more direct level, and

• Gain deeper context on the actual participant experience, by evaluating the call center/service levels, understanding the depth of resources allocated to plan sponsor marketing/technology and enable dialogue with key decision makers at the firm.

Commissioner Bridges stated presentations were responsive and grateful to Stansbury and Driscoll to spend this time and that site visits are crucial in coming to a decision.

Commissioner Bridges called for public comments.

There were no comments from the public and public comment was closed.

Action: Moved by Commissioner Stansbury, Seconded by Commissioner Driscoll to approve proposed TPA RFP semi-finalists and authorize Staff to conduct offsite due diligence of semi-finalists.
Ayes: Commissioners Stansbury, Driscoll and Bridges.

6. 07252018-06 **Adjournment**

Having no further business, the Board adjourned the meeting at 6:22 p.m.

Respectfully submitted,
Jay Huish, Executive Director